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RUEHCV/AMEMBASSY CARACAS 1815  
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C O N F I D E N T I A L LA PAZ 002599

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STATE FOR WHA/AND  
TREASURY FOR SGOOCH  
ENERGY FOR CDAY AND SLADISLAW

E.O. 12958: DECL: 09/25/2016  
TAGS: [ECON](#) [EFIN](#) [PGOV](#) [BL](#)  
SUBJECT: CENTRAL BANK INDEPENDENCE THREATENED

REF: A. LA PAZ 2196

[1](#)B. LA PAZ 2515

Classified By: Charge Krishna Urs for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: A Central Bank Director told Econoff on September 21 that GOB cabinet members were increasingly interfering in the bank's daily policy decisions. He lamented "disarray" at the bank due to high level personnel changes and feared that the GOB would change the Central Bank Law to force it to lend to unproductive state enterprises. He said that investigation of former bank staff was politically-motivated. He predicted that the interim bank president and board members would remain in their positions in the near term because naming permanent staff would require political negotiation which was not possible at this time. Despite these political problems, normal bank operations, and a positive macroeconomic situation, have continued to date. End summary.

#### Central Bank Independence Threatened

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[1](#)2. (C) In a meeting on September 21, Central Bank Director Enrique Ackermann (strictly protect) told Econoff that although the Central Bank was isolated in that it did not have the opportunity to provide input into the GOB's National Development Plan, it was not left alone by the GOB, which increasingly sought to interfere in daily bank policy. He noted that the cabinet had criticized the bank for a slight revaluation of the currency three weeks ago. He lamented that the bank was in disarray since the government had replaced President Juan Antonio Morales with interim President Raul Garron and four out of five board members (all but himself) with inexperienced people. He added that other experienced bank personnel were leaving due to salary cuts and fear of eventually being replaced. As the only remaining Director appointed by a previous administration, he spoke openly of his disillusionment with recent developments under the MAS administration.

## GOB Plans to Change Central Bank Law

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¶3. (C) The Central Bank is independent by law, but the GOB has indicated that it intends to change the Central Bank Law. The previous Minister of Hydrocarbons announced that the Central Bank would fund the restructuring of the state oil company, YPFB (ref A). The Central Bank informed the Minister that such actions would be illegal, and the Minister responded by proposing a change to the law. Ackermann feared that the MAS could easily push the necessary changes through Congress.

## Political Persecution of Former Staff

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¶4. (C) Ackermann said that the investigation of former bank President Juan Antonio Morales and the two-month detention of former bank Director Marcela Nogales for supposed irregular withdrawals in 2003 were politically-motivated (ref B). (Note: Nogales was provisionally released on September 25 after paying the USD 12,500 bail ordered by a judge on September 21. End note.) Ackermann said the GOB wanted "trophies" for its anti-corruption campaign. He explained that the withdrawal issue was settled by a previous investigation, which found administrative fault but no corruption. He feared that Juan Antonio Morales would soon be detained.

## Naming of Permanent Leaders on Hold

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¶5. (C) Ackermann said that the process for naming a permanent bank president and board members was on hold due to political conflict. He explained that the lower house would approve three names for each position, from which President Morales would select one. He predicted that eventually MAS would get to name the president and three directors, while the opposition would get two directors. He said that the names would have to be negotiated in congress, and that such negotiation was not possible now due to the conflicts in the Constituent Assembly.

## High Reserves, No Capital Controls, Deposits Stable

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¶6. (C) Despite political interference, which could affect the bank's future, operations have continued normally to date. As a result of increased export levels and an increasing demand for local currency versus dollars, the Central Bank is holding record high international reserves of USD 2.35 billion. Because businesses only bring in the dollars that they need for local expenses while keeping the majority of their revenues abroad, the local currency is not receiving serious exchange rate pressures from the dollar inflows, Ackermann explained. He added that the Central Bank's exchange rate policy implied slow, slight revaluations of the boliviano, based on revaluations by neighboring countries. Despite earlier rumors, he did not think it likely that the bank would implement capital controls. He said that deposits were stable and that loan portfolios were increasing. Although he did not think a major bank run was likely, he said that the Central Bank would be able to sustain a major run if one occurred due to its high reserve levels.

¶7. (C) Comment: Although to date the Central Bank has continued its previous sound policies and the macroeconomic situation remains positive, political interference in Central Bank affairs could threaten future macroeconomic stability. End comment.

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